

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of	)	WC Docket No. 15-44
	)	
Verizon Communications Inc.	)	
	)	
and	)	
	)	
Frontier Communications Corporation	)	
	)	
Application for Consent to Partially Assign	)	
and Transfer Control of Domestic and	)	
International Authorizations Pursuant to	)	
Section 214 of the Communications Act of	)	
1934, As Amended	)	

**PETITION TO DENY OF THE GREENLINING INSTITUTE**

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## PETITION TO DENY

The Greenlining Institute (“Greenlining”) hereby files this Petition to Deny the applications, as proposed, in the above-captioned matter pursuant to Section 309(d)(I) of the Communications Act of 1934,<sup>1</sup> and the FCC's Public Notice of March 12, 2015.<sup>2</sup> The proposed transaction would seriously harm consumers from communities of color and low-income consumers; these public interest harms outweigh any potential public interest benefits. The public interest therefore requires that the Commission reject the applications in their entirety, as proposed, or, at a minimum, impose significant conditions to ameliorate the threatened harms to low-income consumers and protect the public interest.

## SUMMARY

Greenlining files this petition to deny on the information that is currently available. However, Greenlining is currently investigating this transaction, and Greenlining’s current position in this proceeding may not be its ultimate position. In an effort to learn more about this transaction, Greenlining is undertaking a review of the documents that Applicants have submitted to the Commission. Greenlining hopes to gain greater clarity about this transaction after a comprehensive review of the documents. Greenlining hopes that a mutual and reciprocated effort to learn about the interests involved in this matter will help open the possibility of settlement or other resolution.

In addition to harms described by other parties, the proposed transaction would harm the public interest by eliminating a provider with a demonstrated commitment to supplier diversity. Additionally, the proposed transaction promises to harm the public interest by eliminating jobs.

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<sup>1</sup> 47 U.S.C. § 309(d)(I) (2011).

<sup>2</sup> FCC Public Notice,, Docket No. 13-193 (August 28, 2013) (Establishing Pleading Cycle).

These harms are not outweighed by the purported benefits of the proposed transaction. Accordingly, the Commission should deny the applications. If the Commission approves the applications, it should impose conditions, including a condition that the expanded Frontier offer a low-cost broadband product to low-income households throughout Frontier's expanded service territory.

## ARGUMENT

### I. GREENLINING HAS STANDING TO FILE THIS PETITION

Any “party in interest” may petition the Commission to deny the assignment or transfer of a license.<sup>3</sup> A party in interest is any party whose interests are likely to be adversely affected.<sup>4</sup> Greenlining is a non-profit organization dedicated to empowering communities of color, low-income communities, and other disadvantaged groups. Started in 1993 by the Greenlining Coalition, Greenlining seeks to protect consumer interests while partnering with some of the largest companies in America to better serve this country's multi-ethnic and underserved communities. Beyond ethnic diversity, the coalition represents diverse constituents that include faith-based organizations, minority business associations, community development corporations, health advocates, traditional civil rights organizations, and minority media outlets.

Members of the Greenlining Coalition subscribe to telephony and broadband services provided by the Applicants. Moreover, members of the communities served by Greenlining Institute and employees of the Greenlining Institute are subscribers to those services and will be impacted by the proposed merger. As this petition will demonstrate, the proposed merger would

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<sup>3</sup> 47 U.S.C. §309(d) (2011).

<sup>4</sup> Camden Radio, Inc., v. Federal Communications Commission, 220 F.2d 191, 194 (D.C. 1954).

directly and adversely impact the communities the Greenlining Institute represents. Therefore, Greenlining has standing to oppose the application.

## **II. THE PROPOSED TRANSACTION IS NOT IN THE PUBLIC INTEREST**

Applicants bear the burden of proving by a preponderance of the evidence that the proposed transaction is in the public interest. Among many other harms, the proposed transaction's elimination of Verizon would eliminate a company with a significantly better record on supplier diversity than Frontier. Additionally, the proposed transaction could cause significant harms to jobs and employee compensation. These harms are not outweighed by the purported benefits of the proposed transaction. Accordingly, the Commission should deny the applications.

### **A. Applicants Must Prove by a Preponderance Of the Evidence that the Proposed Transaction Is In the Public Interest.**

A party seeking the acquisition or transfer of a license bears the burden of proving to the Commission, by a preponderance of the evidence, that the proposed transaction will serve the public interest convenience, and necessity.<sup>5</sup> In making this determination, the Commission first assesses “whether the proposed transaction complies with the specific provisions of the Communications Act, other applicable statutes, and the Commission’s rules.”<sup>6</sup>

When reviewing a transaction, the Commission considers the competitive effects of that transaction on the public interest.<sup>7</sup> However, the Commission's public interest inquiry extends far beyond potential competitive effects.<sup>8</sup> The Commission also considers “whether the

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<sup>5</sup> Order In the Matter of Applications of AT&T Inc. and Cellco Partnership, WT Docket No. 09-104, Memorandum Opinion and Order, 25 FCC Rcd 8704, 8716 (June 22, 2010) (hereafter, AT&T/Cellco Order).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 8717.

proposed assignment and transfer of control...is likely to generate verifiable, transaction-specific public interest benefits.”<sup>9</sup> The Commission’s public interest inquiry includes a consideration of, “among other things, a deeply rooted preference for preserving and enhancing competition in relevant markets, accelerating private sector deployment of advanced services, promoting a diversity of license holdings, and generally managing the spectrum in the public interest.”<sup>10</sup>

The Commission then considers whether the acquisition “could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Communications Act or related statutes.”<sup>11</sup> If there is a risk of harm, the Commission employs “a balancing test weighing any potential public interest harms of the proposed transaction against any potential public interest benefits.”<sup>12</sup> If the potential public interest harms outweigh the potential public interest benefits, the transaction is not in the public interest.<sup>13</sup>

Greenlining finds a number of Applicant’s claims questionable, and expects that other parties will address many of those claims in their filings. Greenlining particularly supports the arguments the National Association of State Utility Consumer Advocates makes in its Petition to Deny. Greenlining wishes to focus on the effects of the proposed transaction on supplier diversity and jobs.

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

**B. The Proposed Transaction is not in the Public Interest Because It Will Harm Diversity.**

**1. The Proposed Transaction Threatens to Harm Internal Diversity.**

Applicants describe Frontier’s “unique local engagement management model,” which is a policy of “intensive regional and local engagement in its operating territories.”<sup>14</sup> This policy has apparently resulted in local hiring of Frontier’s general managers and employees.<sup>15</sup> Greenlining lauds this policy.

However, it is unclear whether this policy has led to increased hiring of people of color or women within Frontier. Applicants state that thirteen percent of Frontier’s workforce is comprised of U.S. veterans and military families, a laudable accomplishment.<sup>16</sup> However, the Application does not provide any data regarding the percentage of Frontier’s employees who are women or from a community of color. The proposed transaction has the potential to reduce the net number of women and people of color who work at Verizon and Frontier, harming diversity and the public interest. Greenlining respectfully requests that the Commission require Applicants to provide data regarding their respective internal diversity numbers.

**2. The Proposed Transaction Threatens to Harm Supplier Diversity.**

The Application does not appear to contain any information regarding Frontier’s supplier diversity policies or statistics.<sup>17</sup> However, both Verizon and Frontier are required to include that information in annual reporting to the California Public Utilities Commission.<sup>18</sup> The Commission encourages reporting companies to reach procurement goals of 5% for women, 15%

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<sup>14</sup> Public Interest Statement at 13.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 6.

<sup>17</sup> “Supplier diversity” refers to a company’s procurement from Minority, Women, and Disabled-Veteran owned business enterprises.

<sup>18</sup> Cal. Pub. Util. Comm’n General Order 156, available at <http://docs.cpuc.ca.gov/PublishedDocs/PUBLISHED/GRAPHICS/171157.PDF> (last accessed April 13, 2015).

for minorities, and 1.5% disabled veteran enterprises. The following two charts area summary of Verizon and Frontier’s supplier diversity hiring rates in 2013 and 2014, respectively:

**Comparison of Supplier Diversity Rates, 2013:**

2013		Verizon	Frontier
Minority Men	Asian Pacific American	4.01%	0.00%
	African American	5.86%	0.00%
	Hispanic American	10.10%	0.30%
	Native American	1.83%	0.00%
	Other	NR	0.00%
	Total Minority Men	21.80%	0.03%
Minority Women	Asian Pacific American	1.00%	0.01%
	African American	0.03%	0.00%
	Hispanic American	0.51%	0.00%
	Native American	1.51%	0.00%
	Other	NR	2.01%
	Total Minority Women	3.05%	0.74%
Total MBE		24.84%	0.76%
Total WBE		20.88%	1.30%
Total MWBE		45.72%	2.16%
Total DVBE		3.13%	5.65%
<b>WMDVBE</b>		<b>48.84%</b>	<b>7.71%</b>

Source: 2013 Supplier Diversity Reports<sup>19</sup>

<sup>19</sup> Available at [http://www.cpuc.ca.gov/PUC/SupplierDiversity/2013\\_Utility\\_Supplier\\_Diversity\\_Procurement\\_Reports.htm](http://www.cpuc.ca.gov/PUC/SupplierDiversity/2013_Utility_Supplier_Diversity_Procurement_Reports.htm).

### Comparison of Supplier Diversity Rates, 2014:

2014		Verizon	Frontier
Minority Men	Asian Pacific American	6.90%	0.40%
	African American	2.62%	0.00%
	Hispanic American	12.16%	2.00%
	Native American	1.04%	0.00%
	Other	NR	0.00%
	Total Minority Men	22.73%	0.06%
Minority Women	Asian Pacific American	1.23%	0.00%
	African American	0.06%	0.00%
	Hispanic American	0.71%	0.00%
	Native American	1.15%	0.00%
	Other	NR	0.00%
	Total Minority Women	315.00%	0.00%
Total MBE		25.89%	6.00%
Total WBE		17.43%	2.66%
Total MWBE		43.31%	2.72%
Total DVBE		5.80%	0.00%
<b>WMDVBE</b>		<b>49.11%</b>	<b>2.72%</b>

Source: 2014 CPUC Supplier Diversity Reports.<sup>20</sup>

These charts show that Verizon consistently exceeds the CPUC’s supplier diversity goals, while, with the exception of the DVBE category, Frontier’s **declining** diversity procurement falls vastly short of the CPUC’s goals. Verizon’s sale of its assets to Frontier could cause a significant reduction in supplier diversity, harming California’s economy, communities of color, and the public interest.

In a meeting between Greenlining and Verizon, Verizon’s leadership stated that as the transfer would include Frontier’s assumption of all of Verizon’s current supplier diversity

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<sup>20</sup> Available at [http://www.cpuc.ca.gov/PUC/SupplierDiversity/2014\\_Utility\\_Supplier\\_Diversity\\_Procurement\\_Reports.htm](http://www.cpuc.ca.gov/PUC/SupplierDiversity/2014_Utility_Supplier_Diversity_Procurement_Reports.htm).

contracts. However, there is no guarantee that Frontier would continue Verizon's commitment to supplier diversity when those contracts expired. Additionally, while the CPUC could **encourage** the expanded Frontier to expand its supplier diversity goals, the CPUC cannot **require** Frontier to do so.<sup>21</sup> The CPUC would not be able to mitigate the harms caused by the loss of Verizon, a provider that consistently exceeds the Commission's supplier diversity goals. Accordingly, it is particularly critical that the Commission consider the proposed transaction's effects on supplier diversity when evaluating the transaction.

**C. The Proposed Transaction Is Not In the Public Interest Because It Will Result in Lost Jobs.**

The Commission has historically included job effects as part of its merger analysis. Based on Applicant's statements, it appears likely that the proposed transaction will result in lost jobs. Greenlining respectfully suggests that the Commission should require Applicants to provide more specific, granular data about projected job losses in order to better evaluate the job effects of the proposed transaction.

Applicants do not refer to lost jobs specifically, but instead speak in terms of cost savings which Applicants expect "to be accomplished by consolidating various administrative and procurement functions, network monitoring and support systems, and finance and accounting procedures."<sup>22</sup> According to Applicants, "Frontier projects approximately \$700 million annually in cost savings by the third year after closing, generated primarily from the consolidation of various administrative systems and functions."<sup>23</sup>

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<sup>21</sup> Cal. Const. Art. 1, § 31.

<sup>22</sup> Public Interest Statement at 17.

<sup>23</sup> *Id.* at 2.

Applicants' "consolidation of administrative systems and functions" will presumably include the elimination of some jobs. Applicants include some nebulous assertions regarding job benefits, stating that the proposed transaction will result in "long-term benefits...to [Frontier's] employees."<sup>24</sup> However, these assertions are too vague to ensure that those benefits would be sufficient to mitigate any harms caused by any elimination of jobs or reduction of employee pay or benefits. If the Commission approves the proposed transaction, there is a substantial risk of harm to employees.

**D. The Commission Should Deny the Applications Because the Proposed Transaction Will Harm the Public Interest.**

If the Commission approves the proposed transaction, there is a significant risk that the expanded Frontier will not demonstrate the same commitment to supplier diversity that Verizon has historically demonstrated. Additionally, while Frontier's local hiring model is laudable, the proposed transaction could eliminate a significant number of jobs. The above harms are not outweighed by the purported benefits of the proposed transaction. Accordingly, the Commission should deny the applications.

**III. IF THE COMMISSION APPROVES THE TRANSACTION, IT SHOULD IMPOSE CONDITIONS TO PROTECT THE PUBLIC INTEREST.**

The Commission can prescribe restrictions or conditions that may be necessary to carry out the provisions of the Communications Act.<sup>25</sup> The Commission can use its "...extensive regulatory and enforcement experience to impose and enforce conditions to ensure that the transaction will yield overall public interest benefits."<sup>26</sup> Should the Commission approve the

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<sup>24</sup> Public Interest Statement at 2.

<sup>25</sup> 47 U.S.C. § 303, subdivision (f); AT&T/Cellco Order at 8717-8718.

<sup>26</sup> AT&T/Cellco Order at 8718.

applications, Greenlining asks that the Commission take measures to ensure that the public interest is protected.

The Commission can prescribe restrictions or conditions that may be necessary to carry out the provisions of the Communications Act.<sup>27</sup> The Commission can use its “...extensive regulatory and enforcement experience to impose and enforce conditions to ensure that the transaction will yield overall public interest benefits.”<sup>28</sup> Should the Commission approve the applications, Greenlining asks that the Commission take measures to ensure that the public interest is protected, including a requirement that Frontier provide a low-cost broadband product for low-income households throughout Frontier’s expanded service territory. The Commission should require that Frontier offer broadband service equal to the minimum speed in a qualifying household’s community at a maximum price of ten dollars a month. A “qualifying household” should be any household whose income is less than 150 percent of the federal poverty guidelines.

Greenlining is optimistic that Frontier has the technical capability to implement such a program. Additionally, based on Applicants’ statements, offering a low-income broadband service appears consistent with Frontier’s commitment to broadband deployment. Applicants state that “Frontier is particularly dedicated to innovation that facilitates expanded deployment and adoption of broadband.”<sup>29</sup> Applicants also note that “[a]s of December 31, 2014, Frontier continues to improve its broadband investment and services, such that 55 percent of households throughout Frontier’s territories were capable of speeds of 20 Mbps or more, 74 percent were capable of speeds of 12 Mbps or more, and 83 percent were capable of 6 Mbps or more. Frontier also has started rolling out 1 Gigabit speeds in certain markets as it upgrades and enhances its

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<sup>27</sup> 47 U.S.C. § 303, subdivision (f); AT&T/Cellco Order at 8717-8718.

<sup>28</sup> AT&T/Cellco Order at 8718.

<sup>29</sup> PIS at 6.

network.”<sup>30</sup> Frontier appears to have the knowledge and experience to successfully offer a low-cost broadband product. Additionally, if Applicants’ claims in their public interest statement that the proposed transaction will result in significant cost savings, Frontier will have the resources necessary to create and maintain such a program. Accordingly, the Commission should require the expanded Frontier to offer a low-cost broadband service to low-income customers within its service territory as a condition of the Commission’s approval of the proposed transaction.

#### IV. CONCLUSION

While the proposed transaction has the potential to benefit low-income communities and communities of color, Applicants have not yet provided sufficient proof that the alleged benefits of the proposed transaction are likely to occur. Accordingly the Commission should either deny the applications or impose conditions to ensure that the expanded Frontier has a commitment to supplier diversity and continues to expand broadband deployment once the transaction is complete.

The National Broadband Plan notes the central role that broadband plays in the social and economic life of Americans, listing the percentage of broadband users who engaged in certain online activities, including: bought a product (83%), received local or community news (80%), visited a government website (79%), banking (69%), received information or applied for a job (60%), received advice from government about a health or safety issue (54%), took a class online (24%).<sup>31</sup> Electronic mail is increasingly replacing telephone calls as a basic and necessary

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<sup>31</sup> See National Broadband Plan, p. 16, Exhibit 3-B.

means of communication. For people who use the internet, 59% send or read e-mail as part of a typical day.<sup>32</sup>

As previously discussed, Greenlining is open to the possibility of settlement or other resolution that would protect low-income consumers and communities of color. Greenlining's position is based on the information currently available to Greenlining, and may change as more information becomes available. However, at this juncture it appears that the public interest harms outweigh any potential public interest benefits that would result from the proposed transaction. Accordingly, Greenlining has filed this Petition to Deny.

For the above-stated reasons, Greenlining respectfully requests that the Commission deny the proposed transaction or impose conditions to protect the public interest.

Respectfully submitted,

Dated: April 13, 2015

/s/ Paul Goodman  
Paul Goodman  
Legal Counsel

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<sup>32</sup> See Pew Internet & American Life Project, Internet, Broadband, and Cell Phone Statistics 11, (January 5, 2010) available at [http://www.pewinternet.org/~media/Files/Reports/2010/PIP\\_December09\\_update.pdf](http://www.pewinternet.org/~media/Files/Reports/2010/PIP_December09_update.pdf).

## Certificate of Service

I hereby certify that on this 13th day of April, 2015, I caused true and correct copies of the foregoing Petition to Deny to be served as follows:

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